

EXECUTIVE SUMMARY

A. Introduction

The Binalbagan Water District (BWD) in Binalbagan, Negros Occidental, was created in accordance with Presidential Decree No. 198 dated May 25, 1973 and upon the promulgation of Resolution No. 16, series of 1979 of the Sangguniang Bayan of Binalbagan.

The BWD is currently headed by Acting General Manager Angie Blaise P. Cañon with personnel complement composed of 31 regular, six casual and 15 job order employees.

The five members of the Board of Directors constituting the policy-making body of the District are:

Chairman	-	Nelfa R. Englis
Vice Chairman	-	Magno V. Verde
Secretary	-	Rowena P. Jancorda
Member	-	Edgar S. Alangre
Member	-	Carmencita R. Balangao

The District has been continually implementing various projects, programs and activities to improve its services to its concessionaires. In 2019 and 2020, the District had accomplished the following projects:

Project/Programs/Activities	Beneficiaries	Cost
Distribution Line Extension	Had. San Agustin, Brgy. Bagroy.	84,400.00
Replacement of Electro Mechanical Equipment (Submersible Pump and VFD)	Whole Service Area	355,000.00
Construction of Reinforced Dugwell	Brgy. Santa Rosario	496,000.00
Rehabilitation of Pumping Station	Brgy. San Jose, Payao P.S., Brgy Payao	179,520.00

B. Financial Highlights

1. Financial Condition:

	2020	2019	Increase/(Decrease)
Assets	60,353,605.32	58,206,979.20	2,146,626.12
Liabilities	31,095,073.30	33,237,838.10	(2,142,764.80)
Equity	29,258,532.02	24,969,141.10	4,289,390.92

2. Results of Operations:

	2020	2019	Increase/(Decrease)
Operating Revenue	33,183,438.13	29,785,459.32	3,397,978.81
Operating Expenses	29,755,105.13	28,902,049.63	853,055.50
Net Income (Loss)	3,428,333.00	883,409.69	2,544,923.31

3. Financial Ratios:

a. Liquidity Ratios:

	2020	2019
Current Ratio	11.80:1	10.73:1
Debt/Equity Ratio	1.06:1	1.33:1

b. Profitability Ratios:

Net Income to Gross Income Ratio	0.10:1	0.03:1
Return on Assets	0.06:1	0.01:1
Return on Net Worth	0.12:1	0.04:1

c. Net Working Capital:

	11,211,768.35	9,183,782.63
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C. Operational Highlight

	2020	2019
Total No. of Service	7,148	6,887
Total No. of Active Concessionaires	5,276	5,023
Total Metered/Billed	5,199	5,023
Total New Connections	24	30
Total Reconnections	75	77
Total Disconnections	67	34

D. Scope of Audit

A financial and compliance audit was conducted, on test basis, on the accounts and operations of BWD for the years ended December 31, 2019 and 2020. We included tests of the accounting records and other auditing procedures and techniques considered necessary in the circumstances to ascertain the validity and propriety of the transactions in order to express an opinion on the fairness of presentation of financial statements, as well as to determine whether or not transactions were made in accordance with existing laws, rules and regulations.

E. Independent Auditor's Opinion

A qualified opinion was rendered on the fairness of presentation of the financial statements of BWD for the calendar years ended December 31, 2019 and 2020 due to exceptions stated in the Independent Auditor's Report and as discussed in Part II of this Biennial Audit Report.

F. Significant Audit Observations and Recommendations

A summary of significant audit observations is presented below with details presented in Part II of this report:

- 1. The incomplete conduct of physical count of Property, Plant and Equipment (PPE) with aggregate acquisition cost of ₱75,863,288.04 and inclusion of semi-expendable properties in the accounts balances of PPE are contrary to Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume 1 and Item 5.4 of COA Circular No. 2016-006 dated December 29, 2016, respectively, thus the correctness and existence of the accounts balances as of December 31, 2020 could not be established.**

We recommended and Management agreed that the Acting General Manager:

- a. direct the Inventory Committee to conduct complete physical count of PPE of the District and observe the guidelines and procedures for inventory taking under COA Circular No. 2020-006 dated January 31, 2020; and
 - b. require the Accounting Unit to reclassify all semi-expendable properties from the PPE accounts to the appropriate inventory accounts.
- 2. The reliability of the balance of the Accounts Receivable (AR) as of December 31, 2020 at ₱6,540,451.89 could not be ascertained due to the following reasons:**
 - a. The balance of AR in the General Ledger (GL) and the Aging Schedule has a discrepancy of ₱208,422.19 and ₱274,050.71 as of December 31, 2020 and 2019, respectively.**

We recommended and Management agreed that the OIC – Division Manager of the Commercial Division and the Senior Corporate Accounts Analyst reconcile the difference of balances between the GL and Aging Schedule of AR. We also recommend that the General Manager assign a personnel in-charge for the reconciliation of AR.

- b. The Allowance for Impairment – AR in the amount of ₱154,801.20 was not adequate to fairly present the AR at its estimated realizable value as the inactive accounts amounted to ₱4,754,961.96 and ₱4,417,835.81 as of December 31, 2020 and 2019, respectively.**

We recommended and the Acting General Manager agreed to require the Commercial Division to send periodic demand/collection letters to the concessionaires with inactive accounts for re-evaluation to determine collectability of the outstanding balances as basis for any adjustments to arrive with an adequate provision for the Allowance for Impairment – AR.

- 3. The correctness of the Supplies and Materials Inventory account totaling ₱495,290.91 and ₱314,023.97 as of December 31, 2019 and 2020, respectively, cannot be ascertained due to the following reasons:**

- a. Non-reconciliation of the physical count with the General Ledger (GL) balance contrary to Section 53 of the Government Accounting and Auditing Manual (GAAM), Volume III.**
- b. Lack of Supplies Ledger Cards (SLCs) and Stock Cards (SCs) in violation of Section 43 of the New Government Accounting System (NGAS) Manual, Volume I.**

We recommended and Management agreed that the Acting General Manager:

- a. require the Supply Officer and Storekeeper to maintain stock cards for all supplies and prepare the prescribed Report on the Physical Count of Inventory;
 - b. direct the Accounting Unit to maintain supplies ledger cards for each inventory item; and
 - c. require the Property and Supply Unit and the Accounting Unit to regularly reconcile the result of the physical count with the accounting records and prepare adjustments, if any, to present the correct amount of Supplies and Materials Inventory in the financial statements.
- 4. Purchases of office supplies amounting to ₱181,943.24 and ₱120,452.07 in 2019 and 2020, respectively, were recorded directly as expense which is not in accordance with the account description provided under COA Circular No. 2020-002 dated January 28, 2020, thereby affecting the fair presentation of the account in the financial statements.**

We recommended and Management agreed that the Senior Corporate Accounts Analyst record purchases of office supplies as “Office Supplies Inventory” and issuances to end-users as “Office Supplies Expense.”

G. Gender and Development

For CYs 2019 and 2020, a total of ₱120,000.00 and ₱117,000.00, respectively, was budgeted for the Gender and Development (GAD). Out of the appropriation, ₱55,944.50 in 2019 and ₱149,274.65 in 2020 were spent for GAD activities.

H. GSIS, HDMF, and PHIC Deductions and Remittances

BWD dutifully deducted from the salaries of its officers and employees their mandatory GSIS Life and Retirement Insurance Premiums (personal share) and loan repayments, HDMF and PhilHealth. These deductions along with the employer's shares were timely remitted to the HDMF, PhilHealth and GSIS.

The remittances for 2019 and 2020 were as follows:

	GSIS	HDMF	PHIC
2020	3,573,364.27	275,554.79	262,749.24
2019	2,255,870.08	227,264.75	189,065.19

I. Compliance with Tax Laws

The BWD has complied with tax laws on the withholding of income taxes from Compensation and Value-Added Taxes (VAT) on goods and services purchased. The taxes withheld for CY 2019 and 2020 were remitted to the Bureau of Internal Revenue (BIR) regularly along with the franchise tax.

Total remittances for 2019 and 2020 are as follows:

Year	Salary	Expanded	Franchise
2020	301,163.25	163,920.16	585,910.49
2019	159,457.53	224,694.11	529,989.89

J. Status of Audit Suspensions, Disallowances and Charges

Total unsettled disallowances as of December 31, 2020 amounted to ₱4,054,164.96.

K. Status of Implementation by the Auditee of Prior Years' Recommendations

Of the 14 audit findings in the previous year's Annual Audit Report, seven recommendations were fully implemented, three were partially implemented and four were not implemented.